



Bart L. Graham
Commissioner

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Department of Revenue
Administrative Division – Tax Law & Policy Section
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Lora Butler
Director

March 29, 2006

Honorable Sewell R. Brumby
Office of the Legislative Counsel
Room 316 State Capitol
Atlanta, Georgia 30334

RE: Notice of Proposed Revenue Rules:

560-7-3-.06 "Taxation of Corporations. Amended."

560-7-4-.01 "Net Taxable Income (Individual). Amended."

560-7-3-.13 "Consolidated Returns"

Dear Mr. Brumby:

Enclosed please find a copy of the Department of Revenue's above referenced proposed amended Revenue Rules along with the related notice and synopses. If you have any questions, please contact me at (404) 417-2399.

Sincerely,

Gary B. Truitt
Tax Policy Analyst

Enc.



Bart L. Graham
Commissioner

State of Georgia
Department of Revenue

Suite 15300
1800 Century Boulevard
Atlanta, Georgia 30345
(404) 417-2100

NOTICE

- RE: (I) Amendment of current Rule 560-7-3-.06 "Taxation of Corporations. Amended."**
- (II) Amendment of current Rule 560-7-3-.13 "Consolidated Returns"**
- (III) Amendment of current Rule 560-7-4-.01 "Net Taxable Income (Individual). Amended."**

TO ALL INTERESTED PERSONS AND PARTIES:

In compliance with O.C.G.A. § 50-13-4, the Georgia Department of Revenue gives notice that it proposes to amend Chapter 560-7-3 of the Rules and Regulations of the State of Georgia by amending current Rule 560-7-3-.06, entitled "Taxation of Corporations. Amended." and amending current Rule 560-7-3-.13, entitled "Consolidated Returns".

The Department also proposes to amend Chapter 560-7-4 by amending current Rule 560-7-4-.01, entitled "Net Taxable Income (Individual). Amended.".

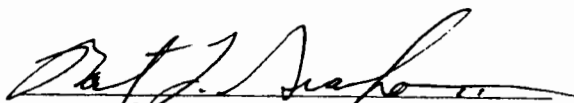
Attached with this notice are the exact copies and synopses of the proposed Rules. The proposed Rules are being adopted under the authority of O.C.G.A. §§ 48-2-12, 48-7-21, and 48-7-27.

The Department of Revenue shall consider the adoption of the above referenced Rules at 10:00 a.m. on May 15, 2006 in Suite 15210 of the Department's headquarters at the below address.

An Equal Opportunity Employer

The Department must receive all comments regarding the above referenced proposed Rules from interested persons and parties no later than 10:00 a.m. May 15, 2006. Written comments must be sent to: Commissioner, Georgia Department of Revenue, 1800 Century Blvd. N.E., Suite 15300, Atlanta, GA 30345-3205. Electronic comments must be sent to regcomments@dor.ga.gov. Facsimile comments must be sent to (404) 417-6651. **Please reference "Notice Number IT-2006-3" on all comments.**

Dated: March 29, 2006



Bart L. Graham
Commissioner
Georgia Department of Revenue

SYNOPSIS

GEORGIA DEPARTMENT OF REVENUE INCOME TAX DIVISION

CHAPTER 560-7-3 SUBSTANTIVE REGULATIONS

560-7-3-.06 Taxation of Corporations. Amended.

The purpose of proposed amendments to Revenue Rule 560-7-3-.06 is to align certain sections of the rule to account for Code Commission changes.

Sub paragraphs 560-7-3-.06(5)(a) and (b) are proposed to be amended to cite the correct references to O.C.G.A. § 48-7-21(b)(10.1).

**RULES
OF
DEPARTMENT OF REVENUE
INCOME TAX DIVISION**

**CHAPTER 560-7-3
SUBSTANTIVE REGULATIONS**

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560-7-3-.06 Taxation of Corporations. Amended.

560-7-3-.06 Taxation of Corporations. Amended.

(5) Net Operating Losses.

(a) Net operating losses shall be treated as provided in paragraph ~~(40)~~ (10.1) of subsection (b) of O.C.G.A. § 48-7-21.

(b) In the event a taxpayer is entitled to a refund of income taxes by reason of a net operating loss carryback under paragraph ~~(40)~~ (10.1) of subsection (b) of O.C.G.A. § 48-7-21, the taxpayer may file an amended return within the time period prescribed by O.C.G.A. § 48-7-21 or alternatively may file an “application for a tentative carryback adjustment of the taxes” within a period of twelve (12) months following the end of the taxable year of the net operating loss. The application shall be in such form as the Commissioner shall prescribe. Such application shall not constitute a claim for credit or refund for purposes of O.C.G.A. § 48-2-35. Within a period of ninety (90) days from the last day of the month in which the application for a tentative carryback adjustment is filed, the Commissioner shall make, to the extent he or she deems practicable in such period, a limited examination of the application

Chapter 560-7-3**Substantive Regulations**

to determine the amount of tax decrease attributable to such carryback adjustment upon the basis of the application and examination. The Commissioner may disallow, without further action, any application which contains errors of computation which he or she deems cannot be corrected within such ninety (90) day period or which contains material omissions. The decrease so determined shall be applied against any unpaid amount of the tax and the remainder shall, within such ninety (90) day period, be either credited against any income tax then due from the taxpayer, or refunded to the taxpayer. Any such credit or refund made within such ninety (90) day period shall be without interest. If the Commissioner should determine that the amount credited or refunded under this paragraph is in excess of the amount properly attributable to the carryback adjustment, he or she may assess the amount of the excess as a deficiency as if it were due to a mathematical error appearing on the face of a return.

Authority: O.C.G.A. §§ 48-2-12 and 48-7-21